

Message Text

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42

ACTION AF-18

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 SCEM-02 TRSE-00

XMB-07 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01 DODE-00

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R 301522Z AUG 73

FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 876

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E.O. 11652: N/A

TAGS: ENRG, NI

SUBJECT: NIGERIAN OIL: VIEWS OF MINISTRY OF MINES AND POWER
OFFICIAL

REF: (A) STATE 171686; (B) LAGOS 6986; (C) LAGOS 5228;
(D) STATE 109426

1. BEGIN SUMMARY: IN AUGUST 29 CONVERSATION, DEPARTMENT OF PETROLEUM RESOURCES DIRECTOR FEYIDE INDICATED HE WOULD WELCOME USG ASSISTANCE IN ARRANGING IN-SERVICE TRAINING BUT NOT COUNTING ON IT. HE EXPRESSED PLEASURE AT U.S. EXPERIENCE TWO RECENT INTERNATIONAL VISITOR GRANTEES. FEYIDE CONFIRMED THAT FMG PLANNING OWN CRUDE SALES, PROBABLY BY END X YEAR AND ON BASIS ROYALTY CRUDE, BUT ALSO IMPLISW FMG PLANNING SUBJECT TO CHANGE, PARTICULARLY IF OPEC OBTAINS NEW INCREASE IN POSTED PRICES.

HE OFFERED NO DETAILS OF PARTICIPATION NEGOTIATIONS WITH GULF OR MOBIL BUT SAID THAT ALTHOUGH AGREEMENT NOT YET REACHED, NEGOTIATIONS PROCEEDING AMICABLY. FEYIDE NOTED THAT FMG PLANS TO ENTER DOMESTIC DISTRIBUTION NOT YET FINAL. END SUMMARY.

2. IN MEETING INTENDED TO INTRODUCE NEW ECON COUNSELOR, FEYIDE OPENED WITH EXPRESSION OF APPRECIATION TO USG FOR PARTIAL INTERNATIONAL VISITOR GRANTS RECENTLY AWARDED TWO NIGERIAN

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OFFICIALS, WHO HAD BEEN IN U.S. ON TRAINING VISIT ORGANIZED

BY OCCIDENTAL AND HAD HAD THAT VISIT TOPPED OFF WITH IV GRANTS, HAD WRITTEN HIM GLOWING REPORTS OF THEIR EXPERIENCE. HE ENDORSED TOPPING OFF TECHNIQUE AS PARTICULARLY USEFUL FOR OFFICIALS WHO COULD ONLY BE AWAY FROM THEIR JOBS FOR LIMITED PERIODS.

3. TURNING TO SUBJECT OF IN-SERVICE TRAINING FOR NIGERIANS IN U.S. INDUSTRY, FEYIDE SAID THAT AFTER HIS WASHINGTON DISCUSSIONS HE HAD CONCLUDED THAT PROSPECT OF GOVERNMENT-TO-GOVERNMENT APPROACH MORE OR LESS DEAD. HE WOULD WELCOME IT BUT HAD ALSO DECIDED TO APPROACH COMPANIES DIRECTLY AND HAD ALREADY HAD ENCOURAGING DISCUSSIONS WITH MOBIL. FYI. IT IS OUR UNDERSTANDING THESE DISCUSSIONS RESULTED FROM MOBIL INITIATIVE. END FYI.

4. WE THANKED FEYIDE FOR HIS EXPRESSION OF APPRECIATION FOR IV GRANTS. ON QUESTION OF IN-SERVICE TRAINING WE SAID WE HAD SEEN REPORTS OF HIS WASHINGTON CONVERSATIONS AND DID NOT SHARE HIS PESSIMISM. USG AND ALSO U.S. COMPANIES VERY MUCH CONCERNED TO ASSIST IN TRANSFER OF PETROLEUM KNOW-HOW TO NIGERIA, AND ALTHOUGH IT WAS COMPLEX PROBLEM WE WERE ADDRESSING IT WITHIN GOVERNMENT AND IN INFORMAL CONACTS WITH COMPANIES. WE WOULD LIKE TO AWAIT ARRIVAL NEW PETROLEUM OFFICER TO DISCUSS RANGE OF EXISTING TRAINING POSSIBILITIES WITH FMG, BUT FEYIDE SHOULD KNOW THERE WAS GENUINE DESIRE TO BE RESPONSIVE TO HIS CONCERN.

5. IN DISCUSSION CRUDE OIL SALES, FEYIDE SAID NIGERIA HAD FIRM INTENTION TO ENTER CURDE MARKET DIRECTLY AND WOULD PROBABLY DO SO ABOUT END OF YEAR AND ON BASIS ROYALTY OIL OF ORDER 150,000/200,000 B/D. HOWEVER, HE ALSO HELD OUT POSSIBILITY NIGERIAN ENTRY INTO MARKET MIGHT BE DEFERRED OR CURTAILED. FEYIDE PUT IT THAT IMMEDIATE ATTRACTION TO FMG WAS PRICE. NIGERIAN NATIONAL OIL COMPANY, WHICH WOULD CARRY OUT SALES, HAD BEEN COMPILING LIST OF POTENTIAL BUYERS (FEXFDE MADE POINT THAT NNOC DID NOT WISH TO DEAL WITH NIGERIAN OR NON-NIGERIAN MIDDLEMEN BUT DIRECTLY WITH END-USERS OR, AS HE PUT IT, FIRMS WITH ASSURED MARKETS) AND WOULD BE INVITING BUYERS TO DISCUSS TERMS AND PRICES. HOWEVER, IF MARKET SHOULD CHANGE, OR ESTABLISHED PRODUCERS WISHED BUY BACK OIL AT MARKET PRICES, LIMITED OFFICIAL USE

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THEN PRICE INCENTIVE FOR NNOC SALES TO THIRD PARTIES WOULD BE DIMINISHED. HE SAID THAT NNOC WOULD NONETHELESS HAVE INCENTIVE TO ENTER MARKET FOR REASONS OF PRESTIGE AND EXPERIENCE BUT THAT PRICE CONSIDERATIONS WOULD BE MORE IMPORTANT IN DETERMINING TIMING AND SCOPE NNOC'S ENTRY INTO MARKET.

6. FEYIDE NOTED THAT IN PARTICIPATION NEGOTIATIONS WITH GULF AND MOBIL FMG SEEKING DIFFERENT TERMS THAN IT HAD

NEGOTIATED WITH SHELL-BP. HE DID NOT OFFER DETAILS BUT SAID THAT FMG FELT CHANGE IN CIRCUMSTANCES SINCE SHELL-BP AGREEMENT JUSTIFIED DIFFERENT TERMS AND THAT IF SHELL-BP AGREEMENT WERE BEING NEGOTIATED NOW IT WOULD BE ON SAME TERMS FMG SEEKING FROM GULF AND MOBIL. FEYIDE ADDED, HOWEVER, THAT AGREEMENT ON DIFFERENT TERMS WITH GULF AND MOBIL WOULD NOT NECESSARILY IMPLY REOPENING OF SHELLBP AGREEMENT. REALLY SIGNIFICANT CHANGE IN CIRCUMSTANCES MIGHT IMPEL FMG TO CONTEMPLATE RENEGOTIATION, BUT BASIC AIM OF FMG WAS TO ARRIVE AT AGREEMENTS FAIRLY AND REASONABLY NEGOTIATED AND TO STAND BY THOSE AGREEMENTS. HE EMPHASIZED THAT ALTHOUGH AGREEMENT NOT YET REACHED WITH GULF AND MOBIL, NEGOTIATIONS PROCEEDING AMICABLY.

7. FEYIDE ADDED THAT FMG ALSO HAD FIRM INTENTION OF ENTERING DOMESTIC DISTRIBUTION OF PETROLEUM PRODUCTS, BUT THAT PLANS NOT YET FINAL. HE OFFERED NO INSIGHT INTO FMG THINKING BUT MADE POINT THAT THIS WOULD ALSO BE DONE IN NEGOTIATION WITH COMPANIES.

8. FEYIDE OFFERED NO CLUES TO CURRENT STATUS LNG PROJECTS OTHER THAN TO SAY FMG COMING STEADILY CLOSER TO DECISIONS. IN RESPONSE OUR QUESTION WHETHER HE FELT HE HAD INFORMATIONITE NEEDED ABOUT POSSIBILITIES EXIM (AND FOR TANKERS MARAD) SUPPORT FOR VARIOUS ASPECTS THESE PROJECTS, FEYID SAID YES. HE RECALLED THAT HE HAD MET WITH EXIM AND COMMERCE OFFICIALS ON HIS WASHINGTON VISIT, AND SAID COMPANIES HAD ALSO COVERED THESE POSSIBILITIES IN THEIR DISCUSSIONS WITH FMG. WE LEFT WITH HIM SUGGESTION THAT AT APPROPRIATE TIME WE WOULD BE GLAD TO REVIEW THESE POSSIBILITIES WITH HIM.

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